

Company Case 16

INTERNATIONAL PAPER: COMBINING INDUSTRY AND SOCIAL RESPONSIBILITY

What image comes to mind when you hear, “industrial corporation”? Pollution-belching smoke stacks? Strip-mined landscapes? Chemicals seeping into water supplies? But how about environmental steward? Although that label might not seem compatible, the truth is that changes in regulations, combined with pressure from environmental and consumer groups, have forced most industrial companies to be more socially responsible. But at least one company has had social responsibility as a core value since it started business more than 110 years ago. That company is International Paper (IP). Today, it is considered by many to be the most socially responsible company in the world.

You may not know much about IP, but it makes products that you use every day. It makes products such as paper for printers, envelopes for mail, cardboard clamshells and paper bags for fast food, and the boxes that hold your cold cereal, to name just a few. And IP makes lots of those products. Last year, it sold \$25 billion dollars worth of paper, packaging, and wood products, placing it in the number 97 slot on the Fortune 500. With operations all over the world, IP employs more than 50,000 people. Those are pretty big numbers for a company that most people know little about.

But IP is more than just big. For many years, it has also ranked regularly among *Fortune* magazine’s most admired companies. It’s not only grabbed the number-one spot on that list in its industry over the past six years, but out of more than 600 contending companies from all industries, IP recently ranked number one in social responsibility. That’s right—a paper and lumber company leading in initiatives to make the world a better place.

At the heart of IP’s admirable actions, we have to look at the comprehensive, integrated plan that the company labels “sustainability.” The company sums up the program with the slogan, “Sustaining a better world for generations, the IP way.” That’s not just a catch phrase. It lies at the heart of IP’s corporate mission statement and has created a culture based on a set of supporting principles. According to company literature, “We have always taken a sustainable approach to business that balances environmental, social, and economic needs. This approach has served our company and society well.” International Paper constantly maintains this balance by adhering to three key pillars that transform the concepts into action: managing natural resources, reducing the environmental footprint, and building strategic partnerships.

Managing Natural Resources

According to David Liebetreu, IP’s vice president of Global Sourcing, “Sustainability means that we can take care of the environment and our businesses—those two concepts are not mutually exclusive.” By taking care of the environment, Liebetreu refers to the systems that IP has in place to ensure that every phase of the corporate global supply chain—manufacturing, distribution, sales, and recycling—is

carried out in a way that safely and responsibly cares for natural resources.

For example, IP has been a leader in promoting the planting and growing of trees. It believes that if forest resources are properly managed, they provide an infinite supply of raw materials for the company’s products while supporting clean water, diverse wildlife habitats, recreational opportunities, and aesthetic beauty. To this end, the company actively supports research, innovation, and third-party certification to improve the management of forest resources.

As a specific example, IP has developed methods to ensure that it uses every part of the tree as a means of better caring for the environment. One single mill in Augusta, Georgia, uses 500,000 tons of bark annually as a source of power. This and other renewable fuels account for more than two-thirds of the energy used at the plant. Over a ten-year period, the plant has reduced its fossil fuels consumption by 17 percent. At the same time, the plant has reduced greenhouse gas emissions by 7 percent, all while increasing production by 4 percent.

Reducing the Environmental Footprint

By reducing its environmental footprint, IP means that it is committed to transparently reporting its activities to the public for any of its activities that impact the environment, health, or safety. “At International Paper, we’ve been routinely sharing our environmental, economic, and social performance with the public for over a decade,” said David Struhs, vice president of Environment, Health, and Safety. “Over the years, these reports have offered a level of transparency unmatched in our industry.” This reporting philosophy applies to any company activity that leaves a footprint, including air emissions, environmental performance, health and safety, solid waste, and environmental certifications.

With transparency comes accountability. Because of its reporting practices, IP is more motivated to reduce its environmental footprint. Over a recent two-year period, the company cut its hazardous waste by almost 8 percent. It reduced the amount that it put in landfills by 10 percent by finding beneficial ways to recycle those materials. It made similar improvements in virtually every company footprint area. A recent account of company activities in Brazil illustrates this concept well.

Nature, once tamed, is again growing wild along Brazil’s Mogi Guacu River, which means “large river of snakes” in the native language of Tupi. This year, seven constructed lagoons running along the banks of the Mogi Guacu designed to filter used water from the nearby International Paper plant were replaced by a more modern wastewater facility.

Although the lagoons are no longer needed for water treatment, International Paper recognized their potential environmental benefits. Five of the ponds were restored with native vegetation to establish a vast expanse of natural wetland habitat. Two of the ponds were preserved to sustain wildlife that had made their home in the area—snakes included.

To better manage the future impact of mill operations on the lush tropical landscape, the mill also installed technology at the river’s edge to continuously measure and report water quality. The results are monitored remotely by facility managers as well as by government regulators. This unprecedented access to information on environmental performance has set a standard for other industries along this large river of snakes.

Building Strategic Partnerships

In order to most efficiently carry out its sustainability efforts, IP must enlist the help of numerous organizations. Building strategic partnerships is, therefore, critical. International Paper has a long tradition of partnering with a broad range of governmental, academic, environmental, and customer organizations. These partnerships are guided by the objectives of making progress in sustainability, providing solutions for customers, making a positive impact on the environment, and supporting social responsibility.

International Paper has partnered with some of the biggest sustainability organizations to make big differences. Partners include the National Park Foundation, the National Recycling Coalition, and the Conservation Fund. But the following story from a company press release illustrates how even a minor partnership oriented around a small product can make a “latte” difference in the world.

Coffee is one of the world’s most popular drinks. Coffee houses—long a fixture in cultures and countries around the globe—sprang up across America during the last 20 years. Every year, as many as 15 billion “cups of joe” are served on the go in paper cups and that number is expected to grow to 23 billion by the end of the decade.

While coffee connoisseurs savored the flavors of new varieties of beans and brews, engineers and scientists at International Paper were thinking about how to improve the cup. Though cups are made of fiber grown and harvested from sustainable forests, conventional paper cups are lined with a petroleum-based plastic. The plastic lining is a small part of the cup but is made from non-renewable resources and inhibits the decomposition of the underlying paper. As a result, disposable cups once filled with coffee are filling up our landfills.

But what if disposable coffee cups could join coffee grounds in the compost heap? To achieve that vision, International Paper, with partners DaniMer Scientific and NatureWorks LLC, developed a new type of cup lining made from plants instead of petrochemicals. The revolutionary new cup, dubbed the ecotainer, is coated with a resin made from modified biopolymer. When discarded in commercial and municipal operations, cups with the new lining become compost, which can then be used for gardening, landscaping, and farming.

Since the launch of the ecotainer with Green Mountain Coffee Roasters in 2006, large and small companies alike have adopted this new cup. More than half a billion cups have eliminated over a million pounds of petrochemical plastic from the marketplace—enough petroleum to heat more than 32,000 homes for one year.

Coffee cups are just the beginning. International Paper is exploring opportunities to expand the technology to other products used in foodservice disposable packaging. So next time you order an espresso with steamed milk, ask for one in an ecotainer and you too can make a “latte” difference in the world.

International Paper hasn’t been one of the high-growth juggernauts of the corporate world. But then again, it operates in a very mature industry, not a high-growth one. But IP makes innovative products that meet the needs of consumers. It employs tens of thousands of people throughout the world, contributing substantially to the communities in which it does business. It has grown in size to become one of the 100 largest companies in the United States. It has been consistently profitable. And it does all these things while sustaining the world for future generations. Indeed, International Paper proves that good business and good corporate citizenship can go hand in hand.

Questions for Discussion

Give as many examples as you can for how International Paper defies the common social criticisms of marketing.

1. Why is International Paper (IP) successful in applying concepts of sustainability?
2. Analyze IP according to the Environmental Sustainability Portfolio in Figure 16.2.
3. Does IP practice enlightened marketing? Support your answer with as many examples as possible.
4. Would IP be more financially successful if it were not so focused on social responsibility? Explain.

Sources: Extracts and other case information are from International Paper’s corporate Web site, accessed at <http://www.internationalpaper.com/OurCompany/Sustainability/index.html>, June 2009; with additional information from www.money.cnn.com/magazines/fortune/mostadmired/.